September, 1982 $4.00

Good & Bad of Convenience Store Franchising

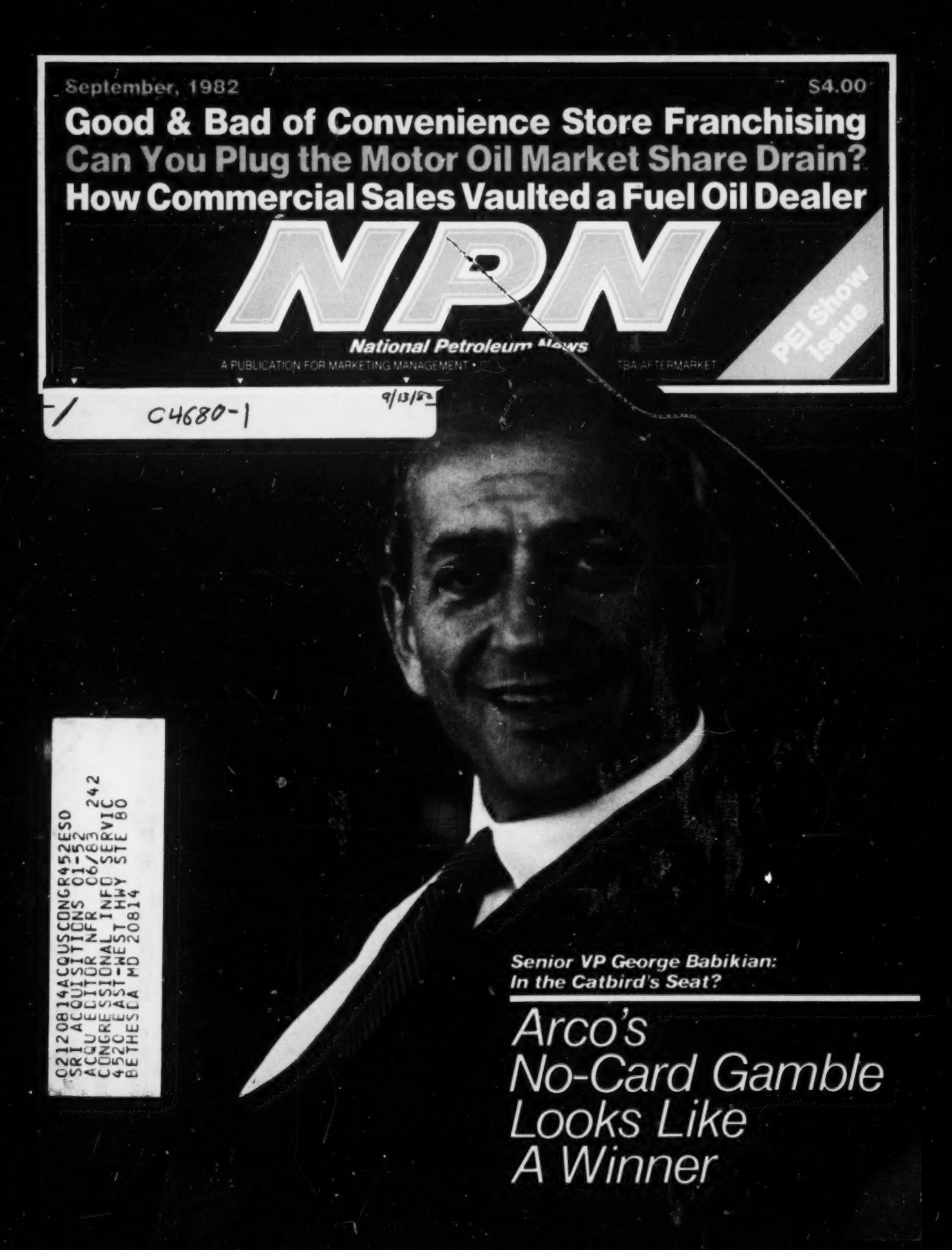
Can You Plug the Motor Oil Market Share Drain?

How Commercial Sales Vaulted a Fuel Oil Dealer

NPN
National Petroleum News
A PUBLICATION FOR MARKETING MANAGEMENT • TBA AFTERMARKET

PEI Show Issue

C4680-1 9/13/82



02120814ACQUSCONGR452ESO
SRI ACQUISITIONS 01-522 242
ACQU EDITOR NFR 06/83
CONGRESSIONAL INFO SERVIC
452C EAST-WEST HWY STE 80
BETHESDA MD 20814

Senior VP George Babikian: In the Catbird's Seat?

Arco's No-Card Gamble Looks Like A Winner

NATIONAL PETROLEUM NEWS

SEPTEMBER 1982 VOL. 74 NO. 9

20 Regional News

20 South
How will Diamond-Shamrock handle the Sigmor buyout?

21 East Coast
Georgia suit would bar jobbers from direct service station operations

22 Midwest
Texaco is expanding an 'ethanol fuels only' policy at its terminals

24 West Coast
California tax reports reveal weighty information about closely-held independent firms

29 Rockies
Bankrupt Mid-State Oil Co. is parceled off to two Midwest buyers

31 General News

31 Cash Discount fight heats up as majors scramble to boost retail sales

32 Refiner casualties mount in shrinking market; a listing of closed refineries

33 Second quarter and first half earnings pale in comparison to 1981 results

33 Clark Oil sued over Apex merger; may be preparing to sell off its refining and marketing properties

36 Marathon Oil restructuring leads to spinoff talk

36 'Comprehensive' petroleum market hearings planned in Congress

36 Major companies revert to glass giveaways to improve sales

37 National Oil Jobbers Council plans to cut its budget 20%

37 Natural gas decontrol looks like a priority after the elections

37 Arco sidesteps court challenge of its marketing practices

37 Jobbers form ad hoc group to monitor supplier practices

37 Energy Department says it's cutting the industry's paper work

63 Features

63 Cover Report
Arco's no-card gamble looks like a winner
- Arco's distributors are squeezed by the supplier's cash-on-delivery terms

68 Management
Jackson Oil's 'beat the street' tactics pull top commercial sales

70 Convenience Stores
Jitney-Jungle's franchise growth keyed to 'other man's money' approach
- One jobber's franchise experience: 'Wish to hell I never heard of them'

74 Lubricants
Motor oil market share drain leaves two options to traditional channel

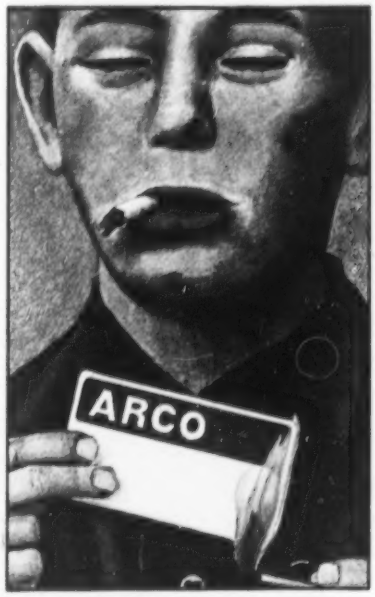
77 Operations & Equipment
Petroleum Equipment Institute Convex '82 product showcase

87 Legal—Sam Borenkind
Federal franchise law is muddled by state actions

88 Tax—Irving Blackman
Proposed 'tax simplification act' would be step backwards

Departments

89 About Oil People
9 Ahead of the News
11 Catching Up
91 Classified
91 Coming Meetings
10 Late News
16 Letters & Comment
5 Looking Things Over
93 The Way It Was
12 Trends & Marketplace



Has Atlantic Richfield—often viewed as one of the more daring, gutsy, innovative and even arrogant marketers among major oil companies—once again outsmarted its more timid and conservative brethren? The company has been chalking up truly impressive gains since dropping its credit card in April. Page 63.
Cover photo by Marvin Reid.

Jitney-Jungle, Inc., the convenience store franchisor based in Jackson, Miss., claims it has 'made a lot of franchisees rich' with its 336 Jr. Food Mart stores. One of the company's most successful franchisees responds, though not so glowingly. Page 70.

Seven out of 10 motor oil buyers prefer to 'do it themselves' than have their oil added or changed at the 'traditional' outlet. Mass merchandisers are still dominating a 550-million-gal. market. Page 74.

• TRENDS

Convenience Chains Bid For Auto Accessory Business

In search of greater operating efficiency, oil marketers have been trimming the fat at their service stations—in many instances turning to self-serve, gasoline-only, pumper-type facilities. All but gone from such outlets are stocks and displays of automotive accessories, including motor oils, as many have found they could not compete with the discount, supermarket and warehouse-type operations handling these items.

As quickly as the products have been eliminated by self-service gasoline retailers, however, they've been picked up and merchandised in the product mixes of the convenience store chains. Hand-in-hand with their large and growing involvement in gasoline marketing, the chains have added motor oils, additives, antifreeze, waxes, headlights and key chains to their grocery shelves. With their more diversified income base, the C-store chains have been able to meet the discount competition head-on.

A random survey of convenience chains, large and small, indicates that automotive accessory lines are a standard feature of their stores' product mix. Motor oils are the best sellers. "Selling gasoline," says one C-store chain spokesman, "creates a heightened awareness of the automotive accessory business. We're taking advantage of this opportunity to sell automotive supplies."

No company implies that overall inside sales have increased dramatically as a result of adding automotive product lines. But the rationale for carrying the items is consistent, with most companies saying they handle accessories as another "convenience" for customers.

Southland Corp., the giant of the convenience store industry with more than 7,000 7-Eleven stores and over 1-billion gal. in gasoline sales last year, looks on automotive accessories as just another assortment in its product mix. The chain has carried such items "for quite awhile," says a spokesman, with an average 2,400-sq.-ft. store devoting about four feet of display space to 25 or so different items. They're considered part of the company's nonfood category, which comprised 8% of Southland's $4.73-billion in total 1981 sales.

At the other end of the spectrum, another chain, Sigmor's Shopping Stations, recently taken over by Diamond Shamrock Corp., devotes 50% of floor space to automotive-related products. The stores, with average monthly sales of $30,000, range in size from 1,400 to 1,600 sq. ft. Sales of automotive accessories, according to the company's Jay Nelson, account for something less than 50% of total store sales.

Recently, the Houston-based National Convenience Store chain (NCS) has taken an aggressive turn in bolstering its share of the automotive accessory business. Corporate merchandising manager Jim Harkness says the company's gasoline sales account for 40% to 45% of total sales at its 965 Stop N Go stores. "About one out of every three persons who buys gasoline comes into the store and buys something else," he says. "That extra sale might be a snack or an automotive-related item."

Harkness says the company chose to trim space used for dry grocery items in order to make way for additional accessories. The stores, which average 2,650 sq. ft., now have at least eight to 12 display feet devoted to automotive items, up from four feet. The extra space has allowed the company to offer 90 different items, including 21 different motor oils. NCS's "Superstores," units ranging in size from 3,600 to 4,800 sq. ft., accommodate 36 to 48 feet of automotive display space.

Harkness says the greater space allotment has boosted sales of the items an average $1,000 per month, raising a store's monthly automotive accessory receipts to between $3,500 and $4,000, or roughly 3.5% of total sales. He sees automotive accessories as a definite growth area and projects that by 1985 the items will comprise 6% to 7% of sales.

As with the other chains, NCS's best-selling product category is motor oil. Harkness says NCS stores compete directly with the discount houses on price, with each store selling an average six to seven cases of oil per week.

Motor oils generally have a mark-up of 20% to 25%, he adds, with a turnover rate of 15 times a year. At NCS, the overall product turnover rate averages 12 to 14 times.

Other automotive-related items, with an average mark-up of 40%, have a much lower turnover rate, only four to five times a year, Harkness says, but this is an acceptable rate for nonfood items.

Considered alone, growing sales of automotive accessories have yet to become a decisive marketing factor in either the strategies of the convenience chains or the responses of their oil-channel competitors. But the trend is further evidence of the strong position C-stores continue to take in the traditional realm of gasoline marketing.

—Bonnie J. Davis

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

JUNE	Gasoline (All types)	Leaded Regular	Unleaded Regular	Leaded Premium
U.S. City Avg.	$1.296	$1.242	$1.309	$1.408
Regions:				
Northeast	1.283	1.228	1.285	NA
North Central	1.313	1.272	1.334	1.369
South	1.277	1.222	1.290	NA
West	1.308	1.237	1.320	1.413

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	7/30/82	7/31/81
Gasoline (total)	226,718	235,051
Gasoline (unleaded*)	92,221	90,468
Kerosine **	46,130	50,965
Distillates	145,635	190,244
Residual	56,479	75,857

**Included in gasoline total.*
***Includes jet fuel.*
Source: American Petroleum Institute.

Letters & Comment

Refiner Profits

Your July 1982 issue carries a wide-ranging interview with Vic Rasheed of the Service Station Dealers of America [page 48]. While there are several highly debatable points presented in the interview, there is one point of blatant factual error.

In discussing the oil companies, Rasheed states, "Their wholesale profits on gasoline are mounting, too, from nine cents per gallon in 1974 to about 30 cents today."

This simply is not true. Amoco Oil Company currently has a profit of less than a penny per gallon on all refined products. During 1981, the transportation, refining, and marketing arm of our company actually lost money.

Amoco is making every effort to be a competitive, profitable organization in 1982. As part of that effort, we intend to do everything possible to help our dealers and jobbers be successful.

T. J. McJoynt
General Manager-Marketing
Amoco Oil Co.
Chicago, Ill.

Refinery Closings

Over the past months you have mentioned in various columns the closing of refineries throughout the United States. As a suggestion, perhaps you might consider publishing a list of those refineries that have closed, including the owner's name and barrel capacity.

I have noticed in conversations with my fellow oil men at times that there are misunderstandings as to which refineries are closed and whether it be temporary or permanent.

Any further comments would be appreciated.

Michael J. Kelly
District Manager
Allied Oil Co.
Division of Ashland Oil
Chicago, Ill.

Since January 1981, approximately 80 domestic refineries ranging in capacity from 1,000 b/d to more than 100,000 b/d have suspended operations temporarily (mothballed) or permanently. No formal industry list is available although the Department of Energy is said to be preparing such a report now. NPN has made its own informal tally of refinery shutdowns occurring over the past 20 months, and the 72-plant listing can be found on page 32 as part of a marketplace update filed by executive editor J. Richard Shaner in New York. The list is unofficial. We'll publish DOE's report when and if it becomes available.

Taxing Error

In reading your June 1982 issue, page 12, on 1981 State Gasoline Tax Collections, we found that Delaware's total was incorrect.

While the tax rate did in fact increase to 11¢ per gallon effective August 1, 1981, Delaware's revenues did not total $305,283,000. Obviously, the commas were misplaced. Also, we had an increase in revenues, not a decrease, due to the raise in the tax.

In calendar year 1981, you will note that the combined gasoline and diesel tax revenues totaled $30,838,746 or a 9.5% increase over 1980; gasoline alone totaled only $27,906,455, 9.6% over 1980; and special fuel only $2,932,291, 8.1% over 1980.

These are gross tax receipts which may be altered somewhat by Federal Highway Administration by deduction of refund data.

Dale A. Shuirman
Director
Division of Motor Fuel Tax
Dept. of Public Safety
Dover, Del.

State Gasoline Tax Collections—1981

	Gasoline Tax Rates per gal. 12/31/81	Net Taxable Gallonage in 1981 (Add 000)	Total State Motor Fuel Tax Revenues (Add 000) 1980	1981 (b)	% Change
Alabama	11.0¢	2,126,341	$200,331	$193,783	-3.3%
Alaska	8.0	180,049	14,976	14,872	-0.7
Arizona	8.0	1,446,963	123,067	118,089	-4.0
Arkansas	9.5	1,303,034	132,036	128,207	-2.9
California	7.0	11,330,390	816,349	777,169	-4.8
Colorado	9.0	1,528,776	112,261	124,493	10.9
Connecticut	11.0	1,327,964	158,174	152,270	-3.7
Delaware	11.0	305,283	28,335	30,053	6.1
Dist. of Columbia	11.0	175,291	17,024	21,260	24.9
Florida	8.0	4,838,540	413,825	392,028	-5.3
Georgia	17.5	3,086,487	248,565	236,787	-4.7
Hawaii	8.5	345,733	28,010	29,915	6.8
Idaho	11.5	504,578	48,776	56,414	15.7
Illinois	7.5	5,102,930	374,361	373,987	-0.1
Indiana	10.5	3,054,646	269,608	302,506	12.2
Iowa	13.0	1,714,616	150,830	183,188	21.5
Kansas	9.0	1,443,548	115,045	115,281	0.2
Kentucky	9.0	1,867,177	189,076	182,522	-3.5
Louisiana	8.0	2,211,334	185,158	177,998	-3.9
Maine	9.0	523,013	48,906	46,808	-4.3
Maryland	9.0	1,957,794	186,100	178,176	-4.3
Massachusetts	9.8	2,291,485	218,000	252,898	16.0
Michigan	11.0	4,108,255	461,866	431,845	-6.5
Minnesota	13.0	2,139,238	218,757	268,083	22.5
Mississippi	9.0	1,317,197	128,969	125,856	-2.4
Missouri	7.0	2,763,325	197,913	195,580	-1.2
Montana	9.0	523,232	48,776	49,559	1.6
Nebraska	13.6	950,508	102,771	145,566	41.6
Nevada	10.5	533,054	33,701	45,134	33.9
New Hampshire	14.0	407,339	45,194	56,135	21.5
New Jersey	8.0	3,348,705	287,354	279,901	-2.6
New Mexico	9.0	843,962	68,052	73,289	7.7
New York	8.0	5,569,766	473,307	462,496	-2.2
North Carolina	12.5	3,086,132	296,124	336,181	13.5
North Dakota	8.0	455,518	30,661	34,514	12.6
Ohio	10.3	5,368,283	384,787	471,839	22.6
Oklahoma	6.5	2,013,945	127,197	129,509	1.8
Oregon	8.0	1,471,538	88,941	86,364	-2.9
Pennsylvania	11.0	5,070,441	584,412	658,200	12.6
Rhode Island	12.0	380,232	37,511	43,718	16.5
South Carolina	13.0	1,674,770	179,555	199,746	11.0
South Dakota	13.0	463,754	48,225	67,128	39.2
Tennessee	9.0	2,623,250	219,134	243,640	11.2
Texas	5.0	8,735,415	472,132	459,392	-2.7
Utah	11.0	788,209	74,057	80,200	8.3
Vermont	11.0	249,987	22,020	25,476	15.7
Virginia	11.0	2,717,465	285,517	276,674	-3.1
Washington	13.5	1,970,632	246,651	253,461	2.8
West Virginia	10.5	903,712	99,315	94,250	-5.1
Wisconsin	13.0	2,314,361	197,532	253,683	28.4
Wyoming	8.0	434,071	37,096	37,022	-0.2
Total U.S.		**111,904,998**	**$9,577,740**	**$9,973,545**	**4.1%**

(a) Tax rate for highway use; does not include federal or local taxes; (b) Preliminary.
Source: Federal Highway Administration, Table SS80-2, October 1981, issued April 1982.

The tax collection table accompanying the June Trends article was in error. The column representing "net taxable gallonage in 1981" was presented incorrectly as "total state motor fuel revenues." A corrected and expanded table is offered here, with preliminary figures compiled and adjusted by the Federal Highway Administration. A final note to NPN Fact Book readers: The 1982 edition includes a similar error in tabulation (page 119); the accompanying table should serve as a corrected addendum.

Demand Forecast

We are interested in obtaining a copy of the DuPont gasoline study which was reported on in your July issue [page 30]. The article does not indicate a way to procure the study, and any information regarding the report will be appreciated.

Jeremy S. Chapman
Shortstop
Benicia, Calif.

The study, "Forecast Demand for Transportation Fuels Through 1990," was presented at the mid-year meeting of American Petroleum Institute's (API) Refining Division in New York on May 11. Copies can be obtained from API, 2101 L St., N.W., Washington, D.C. 20037, phone 202-457-7000; or, DuPont Co.'s Public Affairs Dept., Wilmington, Del. 19801.

Have Terminal, Will Hire

Please accept my heartiest congratulations on the 1982 *Fact Book* issue. Frankly, I find this issue to be just as informative as many of the hardback "Oil Directories."

However, as near as I can ascertain, the only thing missing in your *Fact Book* is a listing of third-party "for hire" storage terminals. This information is available in other directories which may or may not be in the possession of the bulk of your subscribers.

Ken B. Young
Vice President/Terminal Operations
New Haven Terminal, Inc.
New Haven, Conn.

Editorial planning and redesign work on the 1983 Fact Book already is under way. Several new information segments are being considered for that edition, including a comprehensive terminal listing. Meanwhile, those interested in leasing independently-operated bulk storage facilities may contact two appropriate trade groups: Independent Liquid Terminals Assn, 1133 15th St., N.W., Washington D.C. 20005, phone 202-659-2301; or, Independent Fuel Terminal Operators Assn., 1700 Pennsylvania Ave., Washington, D.C. 20006, phone 202-637-9060.

Jobber Profitability

In your October 1981 issue there appeared an article entitled, "PMEF Research: Jobber Profits Down in 1980," page 32. The article traced jobber margins from 1974 through 1980. Has this information been updated for 1981?

R.E. Withers
Chevron U.S.A. Inc.
Atlanta, Ga.

The 1981 update of the Petroleum Marketing Education Foundation (PMEF) study on jobber profits has just become available. The full report can be obtained from PMEF, P.O. Box 11187, Columbia, S.C. 29211, phone 803-252-5646; copies are $50 each for PMEF members, $65 for nonmembers.

Where quality talks it's TALK-A-PHONE

TALK-A-PHONE "AUTOMATION" INTERCOM

Provides 2-way totally hands-free communication between cashier and customers at kiosk and gas pumps. Electronically suppresses background noises to provide effective communication even in noisy locations. Neither cashier nor customer operate any controls. Optional music or announcement input, with automatic silencing while conversation is in progress. Single-station and 6-station selective models.

Suppresses background noises... totally hands-free two-way conversation

See us at the PEI Show • Booth 421
Sept. 20-22, 1982
PEI

Send for Free Catalogs
'TALK-A-PHONE CO.
5013 North Kedzie Avenue
Chicago, Illinois 60625
Dept. NPN

Refiner Casualties Mount in Market Shrink

Douglas Oil's recent decision to turn out the lights and lock the doors at its 46,500 b/d refinery in Paramount, Calif., emphasizes anew the staggering problems suppliers are having in coping with shrinking markets and changing patterns.

Parent Conoco said the refinery is on the block. This is not exactly surprising because industry circles had been saying for months that the refinery could be had if the buying price were right.

As this came to pass, reports persisted that Atlantic Richfield was trying to do something with or about its 185,000 b/d refinery in Philadelphia. Arco spokesmen were enigmatic about the whole affair while rumored buyers issued denials of involvement [NPN—Aug. p9].

In the Midwest, reports surfaced again that Apex Oil Co., St. Louis, is still looking for a potential buyer for the two refineries it acquired when it bought Clark Oil & Refining Corp., Milwaukee, last year [see story on facing page]. These have a total capacity of 130,000 b/d and are located at Blue Island and Hartford, Ill.

Refineries are hard to dispose of in the shrinking marketplace. Gulf Oil, for example, had its 51,500 b/d refinery at Sante Fe Springs, Calif., on the market for two or three years before it finally decided to keep it for the time being.

Meanwhile, Department of Energy noted in its annual survey of U.S. refineries that the industry had an operable capacity of 17,889,734 b/d on March 31, 1982, of which 1,786,155 b/d were idle.

It also reported that of the 17.9-million b/d capacity, the first quarter input amounted to only 11.7-million b/d, or a utilization rate of just 65.8%.

Over and above this, DOE said that 450,940 b/d of crude capacity had been shut down permanently in 1981 and early 1982. The DOE figure obviously does not include around 1-million b/d of capacity that has been mothballed or shut down for an indefinite period without being classified as permanently out of business.

NPN has compiled a tally of its own—by checking with a variety of industry sources and reports—of refineries which have been shut down temporarily or permanently. This listing may include some facilities merely involved in prolonged turnarounds, or some small blending plants that were being squeezed too hard to continue operating. The *NPN* listing involves almost 1.5-million b/d of refining capacity. It must be emphasized, however, that this listing is a working compilation for shop-talk discussion rather than a hard-and-fast tally that is complete, final and official.

Refiners with 100,000 b/d or more of total capacity:

Chevron	
Baltimore, Md.	13,500
Amoco	
Wood River, Ill.	108,000
Sugar Creek, Mo.	104,000
Baltimore, Md.	15,000
Texaco	
Lockport, Ill.	72,000
West Tulsa, Okla.	50,000
Casper, Wyo	21,000
Gulf	
Toledo, Ohio	50,300
Venice, La.	28,700
Mobil	
Buffalo, N.Y.	43,300
Ashland	
Buffalo, N.Y.	64,000
Findlay, Ohio	20,400
Phillips	
Kansas City, Kans.	80,000
Conoco	
Paramount, Calif.	46,500
Wrenshall, Minn.	23,500
Coastal Pacific Refining	
Hercules, Calif.	85,000
Energy Cooperative	
East Chicago, Ind.	126,000

Refiners with 30,000 to 99,999 b/d of total capacity:

Farmland Industries	
Phillipsburg, Kans.	26,400
Scottsbluff, Neb.	5,600
Amerada Hess	
Port Reading, N.J.	68,000
(scheduled to be reopened in 1983)	
Husky Oil	
Cody, Wyo.	11,500
Southern Union	
Monument, N.M.	5,400
Uni International	
Ingleside, Tex.	39,400

Refiners with 10,000 to 29,999 b/d of total capacity:

International Processors	
St. Rose, La.	28,600
Manatee Energy	
Port Manatee, Fla.	28,400
ATC Petroleum	
Newington, N.H.	13,400
Wilmington, N.C.	11,900
Boswell Oil Co.	
Mt. Airy, La.	23,000
Southland Oil	
Yazoo City, Miss.	5,500
Dow Chemical	
Bay City, Mich.	20,000
San Joaquin Refining	
Oildale, Calif.	20,000
Martex Petroleum	
Los Angeles, Calif.	19,000
West Coast Oil	
Oildale, Calif.	19,000
Seminole Asphalt	
St. Marks, Fla.	13,000
Friendswood Refining	
Friendswood, Tex.	12,500
Petraco-Valley Oil	
Brownsville, Tex.	12,300
Ergon Refining	
Vicksburg, Miss.	11,800
T & S Refining	
Jennings, La.	10,200
Anchor Refining	
McKittrick, Calif.	10,000
Shepherd Oil	
Jennings, La.	10,000
Sector Refining	
Palestine, Tex.	10,000
Thagard Oil	
South Gate, Calif.	10,000
Carbonit Refinery	
Hearne, Tex.	10,000

Refiners with 2,500 to 9,999 b/d of total capacity:

E.Z. Serv	
Shallow Water, Kans.	9,500
Copano Refining	
Ingleside, Tex.	9,500
Wickett (El Paso) Refining	
Wickett, Tex.	8,000
Vicksburg Refining	
Vicksburg, Miss.	7,900
Sabre Refining	
Bakersfield, Calif.	7,500
Quad Refining	
Bakersfield, Calif.	7,000
Tipperary Corp.	
Ingleside, Tex.	6,500
Bi-Petro	
Pana, Ill.	6,200
Glenrock Refinery	
Glenrock, Wyo.	6,000
Road Oil Sales	
Bakersfield, Calif.	6,000
Bayou State Oil	
Hosston, La.	5,900
Sooner Refining	
Darrow, La.	5,400

Huntway Refining	
Wilmington, Calif.	5,400
Adobe Refining	
La Blanca, Tex.	5,200
Princeton Refining	
Princeton, Ind.	5,000
Northland Refining	
Dickinson, Ill.	5,000
Gibson Refining	
Bakersfield, Calif.	4,600
Kentucky Oil & Refining	
Betsy Lane, Ky.	3,000
Troy, Ind.	1,500
Burlington Northern	
Osage, Wyo.	4,015
Oxnard Refinery	
Oxnard, Calif.	4,000
Mid-America Refining	
Chanute, Kans.	3,500

Refiners under 2,500 b/d of total capacity:	
Texas Standard	
Houston, Tex.	2,000
Texas Refining	
Midland, Tex.	1,800
Port Petro	
Stonewall, La.	1,800
Wireback Oil	
Plymouth, Ill.	1,800
Dillman Oil	
Robinson, Ill.	1,000
Energy Development	
Crossville, Ill.	1,000
Southwestern Refining	
La Barge, Wyo.	1,040
Total Refining Capacity Cut	**1,421,155 b/d**

NPN

No Rise Out of First Half

Even though gasoline prices rose modestly in the second quarter, oil's net earnings didn't.

Of the top 20 companies, only a handful bettered their 1981 performances. These included Atlantic Richfield, up 2.3% in the second quarter and 3.6% for the first half. Union Oil was off 5% in the second quarter but managed to wind up the half with an overall increase of 1%. Tosco, aided mostly by the close-out of its oil shale partnership with Exxon, had a good second quarter and first half.

Ashland, whose fiscal year ends Sept. 30, reported good earnings in the third-quarter and nine-month periods.

Marathon Oil, merged with U.S. Steel in late 1981, helped bail out the Pittsburgh manufacturer's second-quarter and first-half earnings. DuPont Co. also reported a weak second quarter and first half, but noted that the earnings of Conoco, the other big merger target in 1981, helped soften the blow somewhat. NPN

Second Quarter and First Half Earnings

(Add $000,000)

Company	2nd Qtr. 1982	2nd Qtr. 1981	% Chng.	1st Half 1982	1st Half 1981	% Chng.
Exxon	$885.0	$1,825.0	(51.5)%	$2,125.0	$3,425.0	(38.0)%
Mobil	310.0	700.0	(55.7)	836.0	1,340.0	(52.5)
Texaco	305.0	556.0	(45.1)	672.0	1,214.0	(44.6)
Standard of Calif.	263.0	616.0	(57.3)	493.0	1,280.0	(61.5)
Standard of Ind.	382.0	553.0	(30.9)	852.0	933.0	(8.6)
Gulf	210.0	311.0	(32.5)	477.0	614.0	(22.3)
Shell	380.0	410.0	(7.3)	724.0	771.0	(6.1)
Atlantic Rich.	409.8	399.8	2.3	795.2	767.9	3.6
Standard of Ohio	473.2	476.7	(1.1)	827.8	899.1	(7.1)
Sun	110.0	238.0	(53.1)	234.0	418.0	(44.0)
Phillips	139.0	229.8	(39.5)	326.7	500.6	(34.3)
Getty	151.5	205.1	(26.1)	315.4	435.2	(27.5)
Union	197.6	207.9	(5.0)	366.1	362.4	1.0
Amerada Hess	61.1	(29.7)	—	44.9	58.9	(23.8)
Cities Service	74.4	90.5	(17.8)	127.7	148.2	(13.8)
Tenneco	204.0	203.0	0.5	333.0	397.0	(16.1)
Ashland (a)	69.1	13.3	419.5	105.0	40.8	157.3
Kerr-McGee	50.2	51.4	(2.3)	78.4	94.6	(16.2)
Diamond Sham.	31.9	(44.0)	—	98.8	7.1	1,269
Murphy	41.7	45.0	(7.3)	75.1	83.4	(10.0)
Amer. Petrofina	10.9	15.3	(28.8)	26.9	35.5	(24.2)
Tosco	96.5	12.1	663.3	95.7	(25.6)	—
Pennzoil	44.8	59.1	(24.2)	84.7	119.3	(29.0)

(a) Third quarter and nine months; fiscal ends 9/31.

Clark Sued over Apex Merger; Preparing to Sell Marketing Units?

While Clark Oil & Refining Corp. whirls in recent corporate changes stemming from its merger with Apex Oil of St. Louis, Clark is being thumped with a $2-million suit alleging it short changed its financial advisors on fees from last summer's merger.

According to court documents, Lehman Brothers Kuhn Loeb, Inc. is suing Clark for breach of contract. The New York-based brokerage firm, which had advised the refiner-marketer on financial matters since 1977, alleges that its retainer for negotiating the merger with Apex should have been 0.4% of the acquisition price.

Apex acquired controlling interest of then Milwaukee-based Clark for $483-million. By Lehman Brothers' count, it should have received $1,932,000 as its consulting fee.

But in its legal response to the charge, Clark says the fee should be $250,000. Clark offered that sum to Lehman Brothers last January, but the firm refused it, according to papers filed in U.S. District Court in Missouri.

A spokesman for Lehman Brothers said only that the matter was a "simple commercial dispute." No spokesman for Apex or its Clark subsidiary could be reached for comment.

The suit comes to light about one year after Clark agreed to merge with the Midwest's most enigmatic independent oil marketer, Apex. In taking over Clark, Apex found itself retailing gasoline for the first time and became the owner of 135,000 b/d of refining capacity.

Lately, there have been unconfirmed rumors that Apex is ready to spinoff Clark's refineries and service stations. Some changes to the Clark subsidiary emerged in late June when Apex said it would move Clark's headquarters from Milwaukee to St. Louis later this month.

Apex will fire or lay off most of the Milwaukee office employees, and retain just enough people to run refinery and service station operations, former Clark chairman Robert Reed (now at Apex) told reporters. All of Clark's stations are company operated.

Planned changes include dropping the more than 160,000 Clark credit cards soon. Adminstration costs are too high for the card, which accounts for roughly 6% of gasoline sales, Clark sources say. Apex has not heavily promoted the Clark card since it acquired the company.

In addition, Clark will stop honoring Visa and Mastercard bank cards which it began accepting last January. Any further cuts to Apex retail operations were not obvious by late July. NPN

Motor Oil Market Drain Continues

The 'do-it-yourself' category now accounts for 70% of motor oil purchases, while flat demand and the recession combine to make price the consumer's No. 1 buying criterion.

Seven out of 10 motor oil buyers prefer to "do it themselves," than have their oil added or changed at the "traditional" outlet. Just four years ago, the service station retailer was losing only five of those 10.

The traditional retail oil marketer is losing the fight in a 550-million-gal. a year marketplace to the mass merchandiser. If he wants to block the exodus of motor oil customers, he has to make a choice: either meet mass merchandisers' prices at his convenience stores; or heavily promote the service that his service station (or quick lube outlet) can provide, and hope for his share of the three out of 10 "non-do-it-yourselfers."

These conclusions emerge from discussions with refining and marketing experts, and a consumer study supplied by NPD Research, Inc. of New York. That national survey of motor oil buying behavior profiles the desertion of the service station channel's motor oil clientele. It states:

- Mass merchandisers dominate volume. Last year, 55% of passenger car motor oils were sold through discount stores, department stores, supermarkets, drug stores and similar outlets. The prime competition among major companies today is to get exposure on those 50-ft shelves.
- "Traditional" outlets, however, are not hopelessly behind. Service stations alone sold 24%, while car dealers, auto supply stores and tire stores/garages combined sold 20%. (Quick lubes have roughly 1% market share.)
- After rapid gains during the 1970s, "do-it-yourself" (DIY) consumers now account for 70% of motor oil purchases. (Several manufacturers are convinced this level has reached its peak.) "Reliers" (versus DIYers) comprise nearly all of the "traditional" outlets' motor oil business.
- Flat demand and recessionary conditions combine to make price the consumer's most important buying criterion. One market analyst estimates that most motor oil decisions depend on price differentials between brands.
- The buyer who receives a discount or rebate deal will purchase an average three quarts more than the buyer who pays "full price." The average mass merchandiser price beats the average service station price by 50¢ a quart.

Demand Shrinking

The market for automotive motor oil isn't what it used to be. Estimates from the National Petroleum Refiners Assn. (NPRA) show that motor oil demand peaked in 1978 at more than 660-million-gal. Demand in 1980, dropped nearly 7% to 615-million gal. And, revised totals for last year show demand in the 550-million-gal. range.

Economic and engine-crankcase factors, however, are taking a 0.4% per year bite out of demand in the 1980s, estimates Exxon Chemical Americas in a recent lubricants report.

Since 1977, American drivers have increased by roughly 2% a year the number of miles they drive before they add a quart of oil, figures show. In fact, between now and 1990, the average car owner will change motor oil only nine times for every 10 that he changes it today. By that time, he also will add close to a third less oil a year (excluding changes) than he did this year.

In recent years, lube marketers could blame the trend to fewer changes on smaller crankcases and automakers who recommended longer drain intervals. But that is only part of the story.

"Car manufacturers are not extending their recommended drain intervals as much as the economy is causing people to change oil less often," explains a marketing spokesman for Quaker State. (The company occupies the top spot in the motor oil market, garnering a 19.6% share in 1981, reports NPD Research.)

"There will be very little if any demand growth in the next five years," he says. "Fewer miles driven as a result of a recession is as much a cause as any single factor."

Across the board, consumers are spending less this year, as a result of the recession. Factor out inflation, and they spent no more in the first quarter of this year on oil and gasoline than they did in first-quarter 1981, Department of Commerce figures show.

The average volume of motor oil bought per customer also has dropped in recent years. According to NPD Research, the average fell more than 20% from 1979 to 1980, and hasn't picked up since. Full-case purchases have declined in some areas, often in favor of half-case purchases, NPD reports.

Texaco U.S.A.—which could overtake Valvoline in market share by next year, says NPD—has pursued the price-conscious DIYer with "extensive marketing"

About NPD Research:

NPD Research, Inc. is a division of NPD/HTI, one of the ten largest market research companies in the country. Figures used in this story were taken from NPD's "Petroleum Marketing Index," and compiled by the company for NPN. *Motor oil consumption data are obtained monthly from more than 4,000 families nationwide. This sample is balanced to reflect demographic make-up of the nation as a whole.*

'Traditional' marketers have to make a choice: either meet the mass merchandisers' price; or promote the oil change service provided by their stations or quick lube stores.

of its Easy-Dozen 12-pack, says a company spokesman. The half-case package began in Midwest and West Coast markets in 1981, and was expanded nationwide last January.

Sky the Limit for DIYer?

"Some people are always going to have their car serviced," says a Quaker State advertising spokesman. "But then, 10 years ago, we all thought the DIYer would never reach 60%. And now, it's up to around 70%," he adds.

Oil jobbers and other traditional retail motor oil marketers have substantial research now on the type of customer that tends to be a do-it-yourself'er. A DIYer most often is male, living in the South or West and has just a little less money in his pocket than the so-called "relier."

Research from NPD shows that 76% of DIYers are male. A third of them are between 35 and 49 years old. They are somewhat younger than the relier. (DIYer median age is 42 years, versus 47 years for the relier.) Median family income for both groups is between $20,500 and $21,000, according to NPD's findings.

As far as where the DIYer lives, survey results show Southwest, Mountain and upper Midwest states have the highest concentrations of such purchasers. Whereas, the New England and Mid-Atlantic states have the lowest. That can help the oil jobber decide which consumer he should shoot for.

"The DIYer tends to be less of a brand-loyal buyer than the relier," says an NPD analyst, although the survey did not specifically track brand preference. The message for the traditional oil marketer seems to be to stock with price, rather than brand consistency, in mind.

"I'd like to think quality is the buyer's determining factor," says a Quaker State advertising spokesman. "But price is the thing; there's no getting around it."

The data tend to confirm these statements. The service station channel has not met the mass merchandiser's price. Last year, the overall average retail price for a quart of motor oil was $1.17, according to NPD's survey. The mass merchandiser's average price was 98¢ per quart, compared to the "traditional" outlet's $1.45.

The difference is service. And that's the oil jobber's other option.

"There will always be a certain number of people who are not going to get under their cars and change the oil," says Jack Beman, Jr., president of Pennzoil's motor oil division. That service angle is the main reason the company opened its ten quick lube outlets in 1980. The outlets have bolstered the company's bulk motor oil sales, he says.

While packaged motor oil represents some 80% of total industry sales, Beman estimates, bulk oil at service stations and quick lube outlets best serves the convenience-minded relier.

"The future market taken as a whole seems to be flat. But it could move closer to a balance between quick lubes [for reliers] and the DIYer from here on out," he suggests.

Forever Price-Minded?

Major companies have reacted to DIYers' demand, especially during competitive driving-season months. Prior to last month, Quaker State had never offered consumer rebates. The company's $1.50 rebate on five-quart purchases will end this month. Valvoline—the number three motor oil marketer—promotes an elaborate scheme of graduated rebates with larger purchases.

Some majors offer free case deals for their wholesalers: one free for seven bought; five for 45, eight for 92, and so on. There also are supplier discounts for wholesalers who drive up to the rack.

But the real question is: How long will deals be the only thing that results in a sale?

To date, Pennzoil has shunned price-cutting measures, says Beman. Rather, the company was among the first refiners to promote fuel economy in its motor oil advertising, he says. (Pennzoil maintained a 17.5% market share in 1981, right behind Quaker State, reports NPD.)

As a whole, quality will change more than demand in the 1980s, projects the Exxon Chemical report. High-performance, multi-grade lubricants will attain another 10% share of the motor oil market by 1985 to reach 75%, according to its estimates. (Pennzoil's multi-grade 10W-40 already represents 50% of all its motor oil sales revenue, says Beman.)

Synthetic lubricant watchers, however, have seen more smoke than fire from that market segment. Ever since 1976, when Mobil 1 shot resoundingly into the marketplace, synlubes have not mustered more than 1% to 2% of the motor oil field.

The main reason for that is price. Mobil 1, for example, currently sells for at least $3.70 retail—twice what the mineral-based motor oils cost consumers.

"But there's a very definite group of people who want to use Mobil 1," says Nick Esty, general manager of Mobil marketing services. "That is, the more affluent person and the DIYer, who knows the difference in products for his car," he says. Test-proven differences between Mobil 1 and regular motor oils reveal better fuel economy, superior severe-weather performance and longer drain periods, he and other non-Mobil experts note.

For now, however, oil jobbers who want to improve their share of this market segment had better devote more convenience-store shelf space to motor oils, in order to get the retail price down. His only other option is to promote an oil change service, and hope there will continue to be enough people out there who prefer not to change their own motor oil. NPN

Motor Oil Market Share Battle

Retail Segment	1981 Average Retail Price	Primary Market	Market Share 1981	1978
Mass Merchandiser (discount stores, department stores, supermarkets, drug stores and others)	$0.98 (a)	DIY (b)	55%	51%
Service Stations	$1.48	Reliers (c)	24%	26%
Other "Traditional" Outlets (car dealers, auto supply stores, garages and tire stores)	$1.44	Reliers/DIY	21%	23%
Total Industry	$1.17			

(a) Assumes average prices are comparable in "department store" sub-category; (b) "Do-it-yourself" buyers last year accounted for 70% of passenger car motor oil purchases; (c) "Relier" buyers (those who rely on servicemen) accounted for 30% of passenger car motor oil purchases in 1981.
Source: NPD Research, Inc. and NPN.